



# Environmental and Social Policy Framework

March 2022

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# Sustainable Progress Strategy

The climate crisis is one of the most critical challenges facing our global society and economy in the 21st century. The data is irrefutable, and the world's climate scientists agree that urgent action must be taken to address the current and potential impacts of climate change, including chronic changes to temperature and precipitation, rising sea levels, and more intense and frequent extreme weather events. Some of these impacts are already being felt in communities across the globe, and longer-term climatic changes have the potential to cause wide-ranging impacts affecting business and society, including disrupted supply chains, damaged infrastructure, reduced crop yields and a decline in biodiversity. These risks and impacts are exacerbated by inequality and unsustainable economic development, which put additional pressure on land, water, forests and other natural resources. These interconnected challenges endanger the vitality of communities all over the world and present a threat to global prosperity if not managed properly.

The financial sector has an important role to play in addressing this crisis by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society. Citi understands these critical sustainability issues, and recognizes that we have an imperative to respect and support the environment and human rights in our operations, supply chain and client transactions. We also understand the complexity of developing solutions to these challenges, which require a combination of strong governmental policy and regulatory frameworks, corporate leadership, investor engagement and individual actions.

To continue advancing our response to these challenges, in 2020 we launched our updated Sustainable Progress Strategy with the ambition to be the world's leading bank in driving the transition to a low-carbon economy. As one of the largest financiers of carbon-intensive sectors such as oil & gas, power and industrials, we know that this ambition to bring our business and the global economy into alignment with the Paris Agreement will not be easy. It will require rapid and far-reaching transitions in energy systems, industrial processes, land-use, buildings, transport and other infrastructure. We also know that delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the amount of stranded assets and reduce the range of effective responses to the challenge in the medium and long term. As an important next step, in 2021 we announced our intent to achieve net zero by 2050, including net zero in our own operations by 2030. In January 2022, we published our initial Net Zero by 2050 plan, including 2030 interim targets for our Energy and Power loan portfolios.

Building on our previous \$50 billion climate initiative from 2007-2013 and our \$100 billion environmental finance goal from 2014-2019, Citi has made a commitment to \$1 trillion in sustainable finance by 2030, aligning with the agenda of the United Nations' Sustainable Development Goals (UN SDGs). This commitment, announced in 2021, includes extending our previous Environmental Finance Goal from \$250 billion by 2025 to \$500 billion by 2030, as well as an additional \$500 billion in social finance. Our new \$500 Billion Social Finance Goal includes financing in areas including affordable housing, affordable basic infrastructure, diversity and equity, economic inclusion, education, food security, and healthcare. It's a significant effort that expands on our many initiatives to help ensure a more sustainable and equitable future. Our 20+ year sustainability track record of working with clients, partners, employees and other key stakeholders to address the growing risks and opportunities related to climate has positioned us to respond to this challenge. We have co-created sustainable finance and due diligence frameworks

– including the Equator Principles, the Green Bond Principles and the Poseidon Principles – by bringing together financial institutions to develop best practices and drive sustainable change. Citi was also one of the founding members of the U.N.-convened Net Zero Banking Alliance (NZBA), which will help establish an industry framework for decarbonizing the banking sector. Those experiences were training grounds for the collaborative innovation that is needed now. We know there is more to do and we will continue to learn, engage and report on our progress, but we cannot do it alone. We support responsible and interconnected governmental action on climate to align incentives across the economy to support a low-carbon future, including robust approaches to carbon pricing and disclosure of climate risks.

**Our Sustainable Progress Strategy sets out three key pillars of activity that contribute to the world’s sustainable development agenda:**

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	<p><b>Low-Carbon Transition</b> Finance and facilitate low-carbon solutions and support our clients in their decarbonization and transition strategies</p>		<p><b>Climate Risk</b> Measure, manage and reduce the climate risk and impact of our client portfolio</p>		<p><b>Sustainable Operations</b> Reduce the environmental footprint of our facilities and strengthen our sustainability culture</p>
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## Low-Carbon Transition

One of the core elements of our Sustainable Progress Strategy is our commitment to finance and facilitate activities that accelerate the transition to a low-carbon economy. Our \$500 billion environmental finance goal, as part of our \$1 trillion commitment to sustainable finance, illustrates how Citi is contributing to the low-carbon transition. Please refer to the Sustainable Finance section for more information on the goal and our criteria.

But it’s not just about financing and facilitating transactions. Working collaboratively with our clients in decarbonizing and helping them in their transitions is a central focus of our net zero plan. We believe systemic collaboration is essential for the global economy to reach net zero emissions. We recognize that companies are at different stages in their sustainability journey, but we also recognize the urgent need to transform all sectors of the economy to meet the challenges of climate change. As the world’s most global bank, we have the opportunity to support clients in all sectors through the low-carbon transition. We offer customized products and services to support clients in their transition to more sustainable business models and practices that will advance progress toward a low-carbon future.



## Climate Risk

Citi is committed to managing climate risks and implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Building on our Environmental and Social Risk Management (ESRM) Policy and our experience in climate risk analysis, we will further test the resilience of Citi's lending portfolios to transition and physical risks related to climate change. We will also begin measuring the climate impact of our portfolios and their potential alignment with 1.5 and 2°C warming scenarios. These analyses will help our understanding of the climate risks faced by Citi and our clients and the possible pathways for our collective transition to a low-carbon economy. We will explore opportunities to collaborate with our clients and peers to develop industry-wide methodologies for climate risk analysis and disclosure.

Our approach to analyzing and reducing climate risk associated with our clients includes three areas of activity:

- **Policy Development:** Further integrate climate risk into Citi's risk policies and governance frameworks; progressively and iteratively update our ESRM Policy and sector standards for carbon-intensive sectors to incorporate evolving best practice.
- **Portfolio Analysis and Measurement:** Utilize climate scenario analysis and stress testing of our portfolios to understand the differentiated impacts (or resilience) our clients exhibit to transition or physical climate risks; assess and test emerging methodologies to quantify the climate risks related to our clients' activities, to estimate emissions associated with our portfolio, and to evaluate portfolio decarbonization pathways. In 2020, Citi committed to disclose its financed emissions in alignment with the Partnership for Carbon Accounting Financials (PCAF). For more information on PCAF see our net zero section on page 10.
- **Engagement:** Engage with clients on their own climate risk management and low-carbon transition strategies; engage with regulators on emerging climate risk supervisory guidelines; and actively participate in multi-stakeholder initiatives to share learnings and build industry best practices for climate risk analysis and management.



## Sustainable Operations

Citi remains committed to reducing the environmental footprint of our facilities around the world. We have approximately 200,000 employees working in close to 7,000 facilities in 97 countries. Our global operations give us an opportunity to positively impact the communities where we live and work. Sustainability is a growing priority for our colleagues around the world, and we are channeling their enthusiasm by strengthening Citi's sustainability culture, engaging our employees and integrating sustainable practices across the company.






Since 2001, Citi has been working to measure, manage and reduce the direct environmental impacts of our own operations. We track our environmental impacts through a centralized environmental management system and report annually on global energy use, greenhouse gas (GHG) emissions, water use, waste-to-landfill, and green building initiatives. Our efforts reduce our direct environmental impacts, cut costs,

enhance work environments and productivity, and enable us to speak from a position of experience when our clients need support. In 2020, we also achieved our goal of sourcing 100% of our electricity from renewable sources.

Our 2025 Operational Footprint Goals are our fourth set of such goals, which began in 2007 with our first set of GHG emissions and water reduction goals. For this new set of goals, we are moving our baseline year to 2010 (from 2005) to align with the baseline year of the latest climate science ([IPCC Special Report: Global Warming of 1.5°C](#)).

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**2025 Operational Footprint Goals** *(Measured against a 2010 baseline)*

 <b>GHG Emissions</b> 45% reduction in location-based GHG emissions	 <b>Energy</b> 40% reduction in energy consumption and maintain 100% renewable electricity sourcing	 <b>Water</b> 30% reduction in total water consumption and 25% of water consumed to come from reclaimed/reused sources	 <b>Waste</b> 50% reduction in total waste and 50% of waste diverted from landfill	 <b>Sustainable Buildings</b> 40% of floor area to be LEED, WELL or equivalent certified, with a focus on Citi-owned buildings to operate at the highest level of sustainability
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## Our Commitments

### Principles, Standards and Frameworks

We believe that working to promote sustainability – both for our firm and for our clients – is good business practice. This belief is reflected in our dedication to financing business opportunities with positive environmental and social impacts, actively mitigating environmental and social risks associated with client transactions, reducing our operational footprint, and setting similar sustainability expectations for our suppliers. Our commitment to sustainability is also aligned with, and contributes to, Citi’s [Mission and Value Proposition](#) to serve as a trusted partner to our clients. Citi’s goal is to deliver the best outcomes for our clients by responsibly providing innovative financial services that enable growth and economic progress while meeting our responsibilities to people and planet. To advance these goals and the best interests of our clients, and to encourage broader realization of responsible financial practices, we

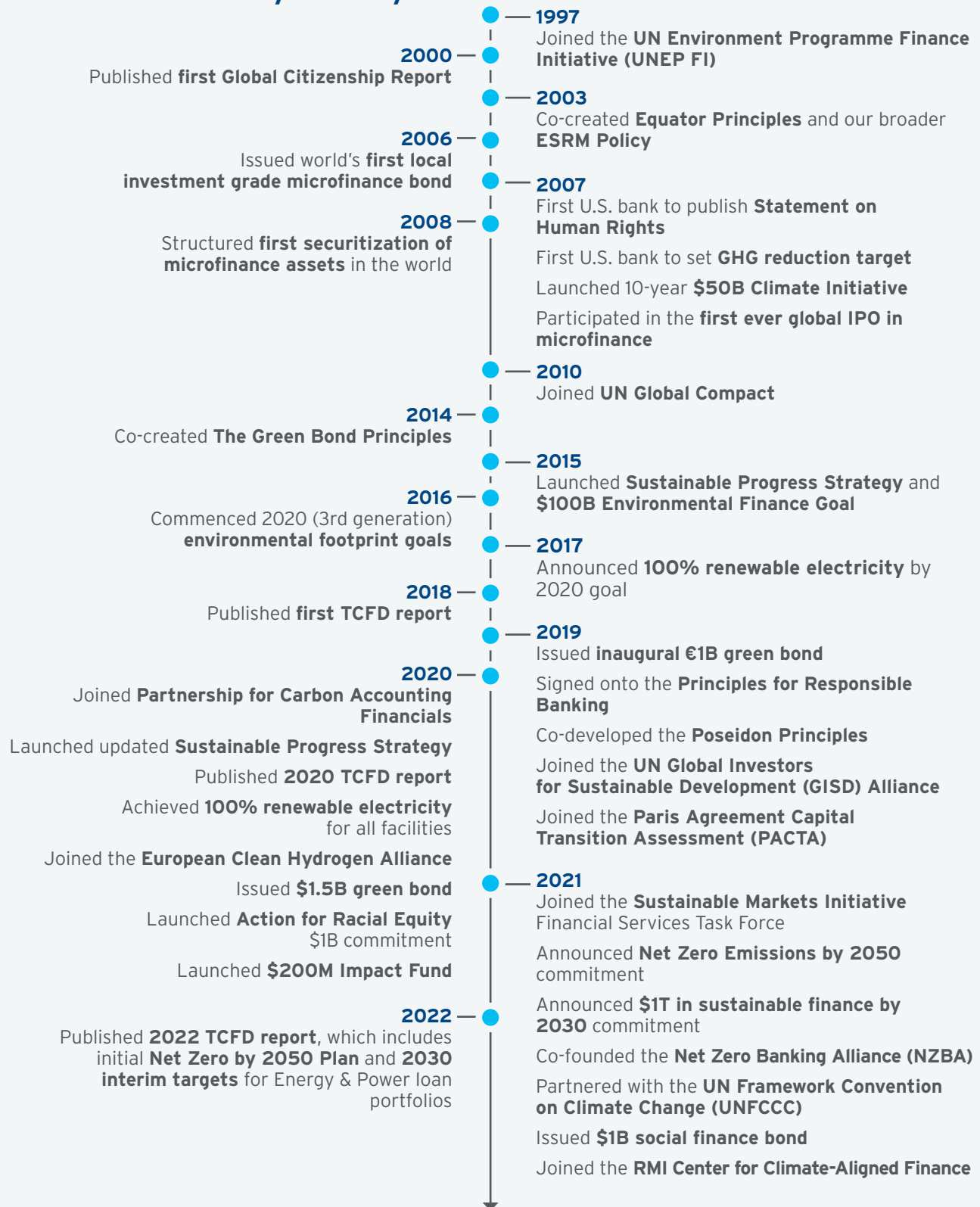
have adopted or publicly endorsed the external principles and standards listed below, which inform our approach to sustainable finance and risk management:

- Cross-Sector Biodiversity Initiative (CSBI)
- Equator Principles
- European Clean Hydrogen Alliance
- G-20 Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations
- Global Investors for Sustainable Development Alliance (GISD)
- Green Bond Principles
- Guiding Principles for Federal Action on Climate
- International Labour Organization’s (ILO) Core Conventions
- Natural Capital Declaration
- Net Zero Banking Alliance (NZBA)
- Paris Agreement Capital Transition Assessment (PACTA)
- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Banking
- Poseidon Principles
- RE100
- Roundtable on Sustainable Palm Oil (RSPO)
- Sustainable Markets Initiative Financial Services Task Force
- United for Wildlife Financial Taskforce
- United Nations Environment Programme Finance Initiative (UNEP FI)
- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights
- United Nations Universal Declaration of Human Rights
- Wolfsberg Principles

Furthermore, our internal policies and procedures reference additional good international industry practice such as the International Finance Corporation (IFC) Performance Standards and Environmental Health and Safety Guidelines, the Voluntary Principles on Security and Human Rights and the Forest Stewardship Council. A description of our policies and programs, and how Citi is organized to achieve maximum impact in our areas of focus, follows.

In the time since Citi began reporting on its operational footprint in 2002 and helped to found the Equator Principles in 2003, Citi’s ability to generate economic, client and societal value through its sustainability expertise has grown significantly. Building on over two decades of sustainability experience, we have solidified our role as a leader in driving sustainable finance, in part by spearheading initiatives and shaping emerging norms and practices, often as the pioneer U.S. bank to do so. This evolution and succession of achievements is captured in the timeline below.

## Citi's Sustainability Journey





## Climate Change

Central to Citi's Sustainable Progress Strategy are our concerns about the climate crisis and our need to play a role in addressing it. As the world's most global bank, Citi understands the scale of the risks that climate change poses and the need for our society to successfully transition to a low-carbon economy and invest in mitigation and adaptation solutions.

In recognition of those risks, since Citi first issued a statement on climate change in 2007, we have been unwavering in our public advocacy in support of governmental efforts to address climate change. Since the Paris Agreement was adopted in 2015, Citi has pushed for strong U.S. leadership and domestic implementation in line with the Paris Agreement's goals. After the U.S. announced it would be withdrawing from the Paris Agreement, we signed the "We Are Still In" Declaration and have continued to voice our support for increased action under the global agreement due to the urgent need to address the unique and widespread risks that climate change presents to society and the global economy.

As a signatory of the [Guiding Principles for Federal Action on Climate](#) in 2019, we support U.S. climate policy that will ensure the country is on a path to achieve net zero emissions across the economy by 2050, with aggressive near- and mid-term reductions commensurate with this goal. We think achieving these targets should be driven by economically rational policies, including an economy-wide carbon price, which encourage investment and planning decisions consistent with this timeframe and that focus on emissions reductions outcomes, not specific resources or technologies.

Achieving the Paris Agreement's central aim to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C, will require rapid and far-reaching transitions in energy systems, industry processes, land-use, buildings, transport, and other infrastructure. Delaying this transition could significantly increase costs, lock in carbon-emitting technology and infrastructure, increase the number of stranded assets, and reduce the range of effective responses to the challenge in the medium and long term.

Citi believes that public policy is needed to create market certainty, accelerate investment, drive innovation and create jobs in a low-carbon economy. Collaboration across sectors is also essential, as is civic engagement and changes in consumer behavior. For well over a decade, we have contributed our resources and voice to advancing the transition in various ways, including through a series of ambitious environmental and climate finance goals, and continually evolving our operational footprint goals. We have also participated in or contributed to the development of market-based frameworks, such as the Equator Principles, Natural Capital Declaration, Green Bond Principles, RE100 and the Poseidon Principles, and are supporting the further development of methodologies such as PCAF to enhance our collective understanding of financed emissions.

Citi remains fully committed to advancing solutions for climate change, and the Paris Agreement and the TCFD recommendations will remain guiding frameworks for Citi's public engagement and commercial activities around the world. In March 2021, we announced our intent to achieve net zero by 2050, including net zero in our own operations by 2030. We published our net zero plan in January 2022, which included interim 2030 targets for two of the most carbon intensive sectors in our portfolio – Energy and Power. As a founding member of the of the NZBA, we will, we will continue to review the scope of our net zero plan

to include additional sectors and assess how best to incorporate additional areas of our business in a way that achieves meaningful emissions reductions in the real economy as part of a just transition. For more information on our approach to climate action and our net zero commitment, please refer to our [TCFD reporting](#) and our annual progress updates in our [Environmental, Social, and Governance Report](#).

## Citi's Net Zero Commitment

In March 2021, we announced our intent to achieve net zero by 2050, including net zero in our own operations by 2030. In line with that commitment, we have published our initial Net Zero by 2050 plan in our 2021 TCFD Report, including 2030 emissions targets for our Energy and Power loan portfolios. These targets were developed in line with NZBA [Guidelines for Climate Target Setting for Banks](#).

### Net Zero Framework

For our net zero by 2050 commitment, we have established the below framework:

- 1. Calculate Emissions:** Calculate baseline financed emissions for each carbon-intensive sector
- 2. Transition Pathway:** Identify the appropriate climate scenario transition pathway
- 3. Target Setting:** Establish emissions reduction targets for 2030 and beyond
- 4. Implementation Strategy:** Engage with and assess clients to determine transition opportunities
- 5. External Engagement:** Solicit feedback from clients, investors and other stakeholders as this work continues to evolve and we collectively define net zero for the banking sector

### Net Zero 2030 Targets

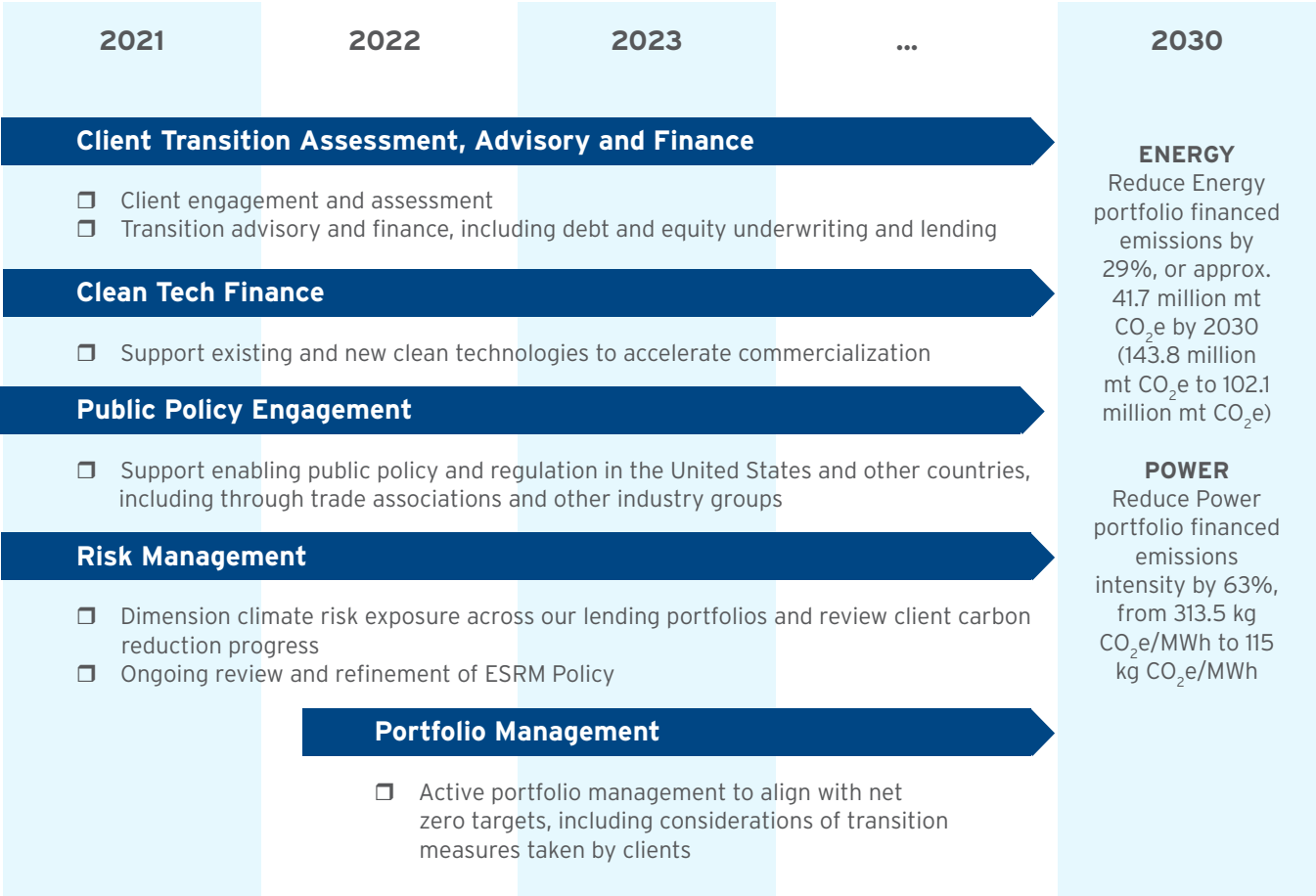
2030 financed emission targets for Citi's Energy and Power loan portfolios:

Sector	Scenario	2020 Baseline	2030 Targets
Energy (Scope 1, 2, 3)	IEA NZE 2050	143.8 million mt CO <sub>2</sub> e	29% reduction from 2020 baseline 102.1 million mt CO <sub>2</sub> e
Power <sup>14</sup> (Scope 1)	IEA SDS OECD	313.5 kg CO <sub>2</sub> e/MWh	63% reduction in Scope 1 intensity per MWh 115 kg CO <sub>2</sub> e/MWh <sup>15</sup>

<sup>1</sup> Baseline based on available data as of September 2021. Further updates to improve data quality of the baseline numbers may result in changes to both the 2020 baseline numbers and the 2030 targets.

## Net Zero Plan - Energy and Power

Citi's initial net zero plan for our Energy and Power loan portfolios will include actions laid out in the following timeline:



## Client Assessment and Engagement

The first step of our net zero plan involves engagement, client by client, to understand their GHG emissions disclosure and their perspectives and plans on carbon transition. Additionally, we will review public disclosures, their climate governance and the commitments and actions they have taken to date. We are beginning this process of client engagement and anticipate this initial review phase will continue through the end of 2023.

The key considerations that will frame client engagement include public disclosure of GHG emissions and reduction targets, climate risk ratings, and transition plans.

## Net Zero Transition Principles

As we transition our business to net zero, Citi will be guided by the Transition Principles below. We expect these principles to evolve as we collectively learn with our clients, peers, investors and other stakeholders.

We recognize that in addition to private sector action, a net zero future will also require public policy and technology solutions, which we will actively support. While we acknowledge that fully transitioning the global economy will take decades, we understand the urgent need for near-term actions that will deliver the rapid emissions reductions required.

We will uphold our mission of enabling growth and progress and will be proactive in helping to drive an orderly transition, while also contributing to broad sustainable development objectives

**Net Zero Leadership** - Set net zero targets that are ambitious, transparent and aligned with climate science, consistent with our leadership in sustainability over the past two decades. Help define net zero for the banking sector, including through our membership in the Net-Zero Banking Alliance.

**Focus on Transition** - Partner with our clients through their transition, ensuring appropriate alignment with our net zero commitment and helping them navigate the challenges they face. Assist clients and governments as they evaluate the carbon-intensive assets in their portfolios and consider responsible asset retirements or divestments, giving consideration to the destination, transparency and stewardship of these assets as we assess transactions and transition plans.

**Social Responsibility** - Strive to ensure that our net zero transition is consistent with other sustainable development objectives. We will also assess how our financing decisions could affect lower-income communities, developing countries and communities dependent on carbon-intensive sectors, balancing the need for carbon reduction with the potential negative impacts on access to energy and economic dislocation. We will be mindful that some of these same communities could also be faced with some of the worst impacts of climate change.

**Client Transparency** - Partner with our clients, with the ultimate goal of helping them decarbonize. If we decide to exit a client relationship, communicate the time frame and rationale in a transparent manner, taking into account worker and community impacts.

**Constructive Engagement** - Work with the public sector, clients, civil society and our peers to transparently promote and support climate policies, regulations and the scaling of new technologies that are required for an orderly transition.

**Disclosure** - Report annually on our progress and our transition as we learn.

Please see [Citi's 2021 TCFD Report](#) for further information.

## Sustainable Finance

We believe that the financial sector has an important role to play in addressing the climate crisis by providing the capital needed to expedite the transition to a low-carbon economy that balances our world's environmental, social and economic needs. We are prepared to support the drastic changes needed in our business and in the world's industrial processes, land-use, buildings, transport and other infrastructure to align with the goals of the Paris Agreement.

We have committed \$1 trillion to sustainable finance by 2030, a goal that spans our business offerings and exemplifies how environmental finance and social finance are integrated across our businesses. The \$1 trillion commitment is an ambitious pledge that will support innovation and collective action toward addressing the most significant global challenges that are outlined in the Paris Agreement and the UN SDGs.

Announced in April 2021, the \$1 trillion commitment extended our previous environmental finance target from \$250 billion by 2025 to \$500 billion by 2030. Through this commitment, we will finance and facilitate a wide array of climate solutions, such as renewable energy, clean technology, water conservation and sustainable transportation. We have also committed \$500 billion toward activities in social finance, which includes important investments in affordable housing and basic infrastructure, diversity and equity, economic inclusion, education, food security, and healthcare. Together, these \$500 billion targets for environmental and social finance make up our \$1 trillion commitment, which aims to further accelerate the transition to a sustainable, low-carbon economy that balances society's environmental, social, and economic needs.

### Tracking Progress

Each transaction we finance or facilitate must meet at least one of eight criteria for environmental finance or seven criteria for social finance to be counted toward the overall \$1 trillion commitment. These criteria were informed by external standards and may therefore be subject to changes as industry guidelines are further developed. Definitions of our environmental finance and social finance criteria are included below.

We track our sustainable finance activities using third-party financial league table credit, where applicable. The industry league tables track public financial activities and rank financial institutions based on their role (i.e. lead arranger, bookrunner, etc.) in each transaction. For financial products for which there are no established league tables, we count the amount that reflects Citi's financial involvement in the deal.

For additional details on progress towards our \$1 trillion Sustainable Finance Commitment, please see our [Environmental, Social and Governance Report](#).

<b>Environmental Finance Goal Criteria</b>	
<b>Criteria</b>	<b>Definition</b>
<b>Circular Economy</b>	Substitute virgin raw materials with recycled or recyclable materials, elimination, and replacement of hazardous/toxic materials with sustainable or recyclable materials; recovery of materials from previously discarded products or projects
<b>Clean Technology</b>	Products, equipment, methods, and projects that mitigate greenhouse gas (GHG) emissions
<b>Energy Efficiency</b>	Residential and commercial energy efficiency improvements that reduce energy consumption
<b>Green Buildings</b>	Construction or renovation of certified buildings for reduction or efficiency in energy use, resource consumption or for low GHG emissions
<b>Renewable Energy</b>	Generation and/or storage of energy from renewable energy sources
<b>Sustainable Agriculture and Land Use</b>	Sustainable ecosystem management leading to carbon removal from the atmosphere, reduced emissions, improvement of soil fertility and conservation of natural resources
<b>Sustainable Transportation</b>	Zero- and low-emissions vehicles, public transportation or related infrastructure construction and efficiency improvement
<b>Water Quality and Conservation</b>	Improve water quality, improved efficiency and increased availability and conservation of freshwater resources
<b>Social Finance Goal Criteria</b>	
<b>Criteria</b>	<b>Definition</b>
<b>Affordable Basic Infrastructure</b>	Improve and/or expand access to clean drinking water, sanitation, clean energy, sustainable transportation, and telecommunications infrastructure in low-income or developing countries
<b>Affordable Housing</b>	Construction, rehabilitation, and/or the preservation of quality affordable housing for low- and moderate-income populations
<b>Diversity &amp; Equity</b>	Promote and support equitable participation in the market, asset ownership and access to opportunities for racial, ethnic, LGBTQ+ and gender minorities and/or other underrepresented populations
<b>Economic Inclusion</b>	Improve access to credit and financial services in vulnerable or underserved communities, including micro, small, and medium enterprise (MSME) financing. Generate employment opportunities. Improve public spaces and community resources
<b>Education</b>	Improve access to, affordability of, and/or quality of primary, secondary, and vocational education facilities and programs
<b>Food Security</b>	Enhance agricultural productivity and access to safe, nutritious, and sufficient food
<b>Healthcare</b>	Improve access to, affordability of, and/or quality of healthcare services
<b>Exclusionary Criteria</b>	
<p>Financing for projects specifically focused on the following activities are not eligible toward the commitment:</p> <ul style="list-style-type: none"> <li>• Large scale hydropower plants that have a generation capacity of over 25 MW; unless the project has lifecycle GHG emissions intensity of no greater than 100g CO<sub>2</sub>/kWh or power density of at least 5 W/m<sup>2</sup></li> <li>• Fossil fuel projects, including: <ul style="list-style-type: none"> <li>- Refined or alternative coal technologies</li> <li>- Gas-to-liquid projects</li> <li>- Natural gas projects</li> </ul> </li> </ul>	

## Human Rights

Citi supports the protection and fulfillment of human rights around the world and is guided by fundamental principles of human rights, such as those in the UN Universal Declaration of Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work (including the eight core conventions). Citi is also a signatory to the UN Global Compact. Citi seeks to integrate the corporate responsibility to respect human rights articulated in the UN Guiding Principles on Business and Human Rights and corresponding expectations in the OECD Guidelines on Multinational Enterprises and in 2016, became the first U.S. bank to report on human rights based on the Guiding Principles Reporting Framework (see Reporting Index in annual ESG Report). Our support for these fundamental principles is reflected in our policies and actions toward our employees, suppliers, clients and the countries where we do business, as further discussed in our [Statement on Human Rights](#).

Our provision of financial services could entail potential risks to internationally recognized human rights, including the risks posed by our clients' activities to other rights holders. Citi strives to prevent negative impacts to human rights and seeks to do business with clients who share our commitment to respect human rights. We carry out appropriate due diligence on clients to maintain our high ethical standards and to protect rights holders potentially affected by unethical and harmful activities. We work with our clients to respect human rights through the application of our ESRM Policy in client engagements and the diligence we perform related to transactions triggered by our Areas of High Caution, which constitute our salient human rights risks.

## Modern Slavery

Across our operations, in our supply chain and in our lending activities, we seek to avoid the risk of being linked through our business relationships to any form of modern slavery, including forced labor or human trafficking. As an employer, we have instituted the policies reflected in our [Code of Conduct](#) to promote the respectful treatment of our employees. Citi's [Requirements for Suppliers](#) and [Statement of Supplier Principles](#) communicate to our suppliers our expectation that they have policies addressing practices constituting forced labor and child labor.

Beyond our own operations and supply chain, we evaluate clients for risks related to modern slavery through our [Global Anti-Money Laundering Program](#) and Know Your Customer protocols. These protocols designate human trafficking as among the most severe types of risks for financial crimes due to the risks of traffickers laundering their illicit proceeds via our financial products, services, or those of our correspondent banking relationships. We also deploy advanced data analytics through our Far From Home program to flag flows of funds that present a high risk of being related to human trafficking, so that we can raise these concerns to the proper law enforcement authorities and try to prevent further illicit activity from occurring. In addition, some sectors we finance or procure from can, in certain geographies, be associated with a high prevalence of risk indicators of human trafficking or forced labor. Citi will not provide financing when our due diligence indicates that the client is actively using forced labor or harmful or exploitative forms of child labor in their own operations, or if the relevant labor forces are at risk of being subjected to human trafficking. Citi publishes an [Annual Statement](#) on its efforts to combat modern slavery in compliance with the UK Modern Slavery Act (2015) that is approved by the boards of directors

of all relevant Citi UK entities. Similarly, in 2020, Citi [published a statement](#) summarizing Citi Australia's current approach to modern slavery in compliance with Modern Slavery Act of 2018 of Australia.

## Environmental and Social Risk Management

Citi lends and mobilizes billions of dollars of capital towards a variety of companies and projects, including sectors that may be associated with environmental and social impacts and risks. Before making a financing decision, we carefully assess the extent of these impacts and work with our clients to apply a clearly defined set of international standards and good practice to mitigate and manage environmental and social risks and impacts. This policy is regularly updated in response to emerging risks.

Citi's global ESRM Policy fully incorporates the Equator Principles (EPs), a credit risk management framework for banks (co-founded by Citi in 2003) to determine, assess and manage environmental and social risks for project-related finance. The EPs form the backbone of our approach to project-related transactions. Citi's ESRM Policy applies across the firm any time one of the following criteria is met:

1. A transaction above relevant financial thresholds for the financial product type that has an identified use of proceeds directed to a specific physical asset or project
2. Clients or transactions covered by one of Citi's ESRM Sector Standards (including coal, firearms, forestry, military equipment, nuclear, oil and gas, palm oil,) described on pp. 21-25), or
3. Transactions that trigger one of the ESRM Areas of High Caution (see pp. 19-21).

## ESRM Policy Implementation

Implementation of the ESRM Policy is a shared responsibility across Citi:

- **ESRM unit** - The ESRM unit sits in Independent Risk and serves as a global technical advisor to risk managers and bankers across the bank on environmental and social risks related to financing client activities. A global network of ESRM Champions receives additional training to provide regional guidance on ESRM issues. The ESRM unit reviews, categorizes and approves transactions and clients subject to the ESRM Policy;
- **Banker** - The Banker is the main client contact and leads transactions and client relationships. The Banker is responsible for complying with the approval, analysis, documentation, and process requirements for ESRM-covered transactions and clients. Bankers partner with the ESRM Unit on ESRM Policy implementation;
- **Risk Manager** - Risk Managers are members of Citi's Independent Risk Management team who review ESRM covered transactions from a credit perspective, ensuring they meet Citi's credit policy and requisite standards. In the course of their credit review, the relevant Risk Manager independently determines whether requisite ESRM process requirements have been fulfilled in consultation with bankers and the ESRM unit.



## Risk Screening

At the marketing stage for project-related transactions, Citi's ESRM unit works closely with bankers to categorize the magnitude of potential impacts associated with a transaction using criteria in part defined by the International Finance Corporation (IFC) and to screen for any environmental, social or reputational risks associated with the transaction. These categories include:

- **Category A** – use of proceeds is likely to have potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented;
- **Category B** – use of proceeds is likely to have potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures;
- **Category C** – use of proceeds is expected to have minimal or no social or environmental impacts; and
- **Category GR** – “general review” use of proceeds are directed to multiple projects with varying risk levels.

As part of the review and approval process for all transactions covered under the ESRM Policy, Citi also assesses a client's commitment, capacity and track record related to its environmental and social performance. The chart in the Appendix provides an illustrative summary of steps taken in a typical Citi project-related finance transaction.

For projects in non-OECD countries, Citi requires adherence to the issue-based IFC Performance Standards and sector-specific Environmental, Health and Safety (EHS) Guidelines, which address topics including, but not limited to, pollution prevention and abatement, and worker and community health and safety. The Performance Standards include:

- PS 1 – Assessment and Management of Environmental and Social Risks and Impacts
- PS 2 – Labor and Working Conditions
- PS 3 – Resource Efficiency and Pollution Prevention
- PS 4 – Community Health, Safety and Security
- PS 5 – Land Acquisition and Involuntary Resettlement
- PS 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources
- PS 7 – Indigenous Peoples
- PS 8 – Cultural Heritage

For transactions in high-income OECD countries, Citi requires compliance with all relevant local and national environmental laws, including those on impact assessment, public consultation and stakeholder engagement processes, and permitting conditions. Furthermore, we screen projects in these countries against relevant industry good practice.

## Independent Review

All Category A and certain Category B EP-covered project loans require review by an independent environmental and/or social expert with relevant expertise, not associated directly with the borrower. Independent Review may also be required of other ESRM Covered Category A transactions, especially those involving “areas of high caution” (see below) as deemed appropriate by the ESRM unit. Independent Review contributes to Citi’s due diligence by reviewing the environmental and social assessment documentation and consultation process documentation, assessing ESRM Policy compliance, identifying gaps in compliance and proposing corrective actions to fill those gaps.

## Action Plans

Following either ESRM internal review or independent review, if gaps are identified between a client’s current plans or operations and ESRM Policy requirements, an Environmental and Social Action Plan (ESAP) is developed. The ESAP contains targeted environmental and social actions with timelines and deliverables to demonstrate completion that bring the project into compliance with the ESRM Policy over a reasonable timeframe. In project-related loans, the ESAP becomes a binding covenant of the loan agreement and compliance with it is monitored, either by an independent consultant or by the client’s environmental team members, with results reported to Citi on a regular basis to confirm compliance.

## Policy Prohibitions

Citi does not do business with companies when our due diligence indicates that they are active in the following activities:

- Production or activities involving modern slavery, human trafficking or forced labor, defined as all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty;
- Production or activities involving harmful or exploitative forms of child labor. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or interfere with, the child’s education, or be harmful to the child’s health, or physical, mental, spiritual, moral or social development;
- Constructing or operating private prisons as a primary business;
- Illegal logging;
- Production or trade in any product or activity deemed illegal under the host country laws or regulations (including those ratified by host countries under international conventions and agreements);
- Production or trade in wildlife or products regulated under CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;

- Production or shipment of cluster munitions.

Furthermore, Citi will not provide project-related financial services for the following:

- New thermal coal mines or significant expansion of existing mines;
- New coal-fired power plants or expansion of existing plants;
- Oil and gas exploration, development and production in the Arctic Circle;
- Projects that negatively impact the Outstanding Universal Value of UNESCO World Heritage Sites;
- Mining projects that utilize submarine waste disposal.

## Areas of High Caution

Consistent with the precautionary principle of “do no harm,” Citi recognizes that there are certain Areas of High Caution that require special attention, focus and respect. Referencing national laws, the UN Guiding Principles on Business and Human Rights, and, for emerging markets, the relevant IFC Performance Standards, Citi only proceeds with transactions that impact these areas after a thorough and judicious assessment of impacts and risks, and confirmation that mitigation measures have been or will be designed to comply with Citi’s policies and standards. In project-related transactions where these risks are present, Independent Review of social and environmental assessment documentation by a qualified independent consultant with the relevant expertise may be required, as determined by the ESRM unit, to evaluate whether risks and impacts are being appropriately managed. These Areas of High Caution include the following thematic areas.

### **Critical Habitat, Areas of High Conservation Value and Significant Cultural Heritage Value**

Citi recognizes that protecting and conserving areas of critical habitat, significant biodiversity and/or high conservation value, including legally protected areas, is key to high-quality environmental and social risk management. We are guided by standards that require clients to avoid or mitigate threats to biodiversity arising from client operations and to sustainably manage natural resources. For the protection and conservation of biodiversity, the mitigation hierarchy includes biodiversity offsets, which may be considered only after appropriate avoidance, minimization and restoration measures have been applied with the goal of no-net-loss (and preferably a net gain) of biodiversity. We also recognize the importance of cultural heritage for current and future generations, and seek to protect areas of significant cultural heritage and value from the adverse impacts of project activities. For transactions with a high risk of direct impacts to critical habitat or high conservation value areas, such as the Amazon Rainforest and the Cerrado, Citi conducts enhanced due diligence on the biodiversity risks and company’s biodiversity management. For project-related lending in non-OECD countries this includes assessment of project biodiversity management plans against IFC Performance Standard 6 on biodiversity and natural resource management.

## Conflict Risk

Certain sectors may present a greater degree of project-induced conflict risk, which may be tied to competition for resources or land. In such cases, Citi carefully assesses key conflict factors such as sources of tension and root causes of conflict, actors and their interests and development needs and incentives to address such risk in the project's area of influence. Additionally, agricultural commodities sectors (e.g., palm oil, forestry, sugar and soy) may trigger conflict due to land conversion needed for agricultural commodities' plantations. This need for resources and land may also trigger company-community conflict, presenting risk to rights holders and to Citi that may need to be assessed and managed. In addition, projects in fragile and conflict-affected areas present risk in the management of project security, for example mining projects involving "conflict minerals" in certain African countries. In these cases, we recommend our clients use the Voluntary Principles on Security and Human Rights as guidance for managing their engagement of security forces.

## Elevated Human Rights Risks

Certain risk factors in client activities can lead to elevated human rights risks that require special attention. If a transaction involves a project with any of the following risk factors, it receives enhanced human rights due diligence:

- Projects in countries or regions with both the presence of significant vulnerable populations and with a history of known human rights abuses relevant to the sector. Vulnerable groups may have increased difficulty in adapting to changes brought by projects and may not have access to adequate protection, respect and remedy for their human rights, and thus significant presence of these groups in the project area of influence increases the social risks;
- Projects in countries or regions with a history of known human rights abuses related to the sector and weak enforcement of labor laws, especially occupational health and safety and freedom of association;
- Projects involving in-migration of large labor forces, which can lead to a higher risk of human trafficking or forced labor.
- Projects with environmental justice concerns due to disproportionate or adverse environmental and health impacts on racial or ethnic minority communities.

## Indigenous Peoples

Citi recognizes and respects the unique historical treatment and collective rights of Indigenous Peoples, and understands that these communities' languages, beliefs, cultural values and lands are often under threat, representing a higher degree of vulnerability than other project-affected communities. Citi will use extra caution and conduct enhanced due diligence (which may require independent review by a qualified social expert) when the transaction may pose adverse effects to:

- An area used or traditionally claimed by an indigenous community;
- Their communal self-preservation based on traditional ways of life; or

- Their use or enjoyment of critical cultural heritage that is essential to their identity and/or the cultural, ceremonial or spiritual aspects of their lives.

Building upon government efforts, companies must not infringe upon the rights and protections for Indigenous Peoples contained in relevant national law, including those laws implementing host country obligations under international law. Globally, in project-related lending for projects involving involuntary resettlement of indigenous communities, significant impacts on land and natural resources traditionally used by the community, or significant impacts on critical cultural heritage, project sponsors are expected to have engaged in meaningful consultation with directly affected Indigenous Peoples, with the goal of achieving Free Prior and Informed Consent (FPIC).

## Large-scale Resettlement

All transactions involving large-scale resettlement or displacement of people require special attention and enhanced due diligence.

## Sector Standards

Citi recognizes that there are a number of important areas that require increased attention via sector-specific standards or guidance as described below.

### Coal

As the most carbon intensive energy source, global alignment with the Paris Agreement calls for a rapid transition away from thermal coal as a fuel source. This trend increases the risk of stranded assets which leads to increased credit risk related to financing coal.

#### Coal Mining

Citi will not provide project-related financing for new thermal coal mines or significant expansion of existing mines, and has set targets to phase out our financing of mining companies deriving  $\geq 25\%$  of their revenue from thermal coal mining:

- By the end of 2025, we will reduce our credit exposure to these companies by 50% from a 2020 baseline;
- After 2025, we will no longer facilitate capital markets transactions or mergers and acquisition advisory and financing for these companies;
- By the end of 2030, all remaining exposure to these companies will be reduced to zero.

This strengthens our 2015 commitment to reduce credit exposure to coal mining companies (at the time focused on those with  $\geq 50\%$  revenues from coal) and our 2009 enhanced due diligence requirements for companies using mountaintop removal coal mining.

Approval for any transaction for coal mining companies requires escalation for review of company's transition away from coal.

## Coal-fired Power Generation

Citi is committed to helping our Power clients transition to a Paris Agreement-aligned future. Globally, Citi will not provide project-related financial services for transactions supporting the construction or expansion of coal-fired power plants, including refinancing recently constructed plants. This includes transactions supporting the supply of all components, equipment, materials and services directly required for the construction of such plants.

In addition, we have established a set of increasing expectations over time for our clients with coal-fired power generation.

Citi expects clients with coal-fired power generation to:

- Publicly report their GHG emissions annually consistent with the GHG Protocol; and
- Engage with Citi as requested on their low-carbon transition strategy to diversify away from coal-fired power generation. It is our expectation that such strategies will align with Paris Agreement decarbonization pathways by 2030 (for clients with power generation in OECD countries) and by 2040 (for clients with power generation in non-OECD countries).

Furthermore, Citi commits to:

- Not provide acquisition financing or acquisition advisory services related to coal-fired power plants. Exceptions may be considered if the proposed transaction is being pursued in the context of a low-carbon transition strategy.
- Not onboard any new clients with  $\geq 20\%$  of power generation from coal-fired power plants unless such client meets the above criteria; i.e., is pursuing a low-carbon transition strategy.
- Not onboard any new clients that have plans to expand coal-fired power generation.

After 2025, Citi commits to:

- No longer extend capital and/or provide other financial services to clients that do not have a low-carbon transition strategy to diversify away from coal-fired power generation and align with Paris Agreement decarbonization pathways by 2030 (for clients with power generation in OECD countries) or by 2040 (for clients with power generation in non-OECD countries). Exceptions may be considered if the proposed transaction is being pursued in the context of a low-carbon transition strategy.
- Not onboard any new clients with a material business line in power generation unless the share of power generation from coal-fired power plants is less than 5%.

After 2030, Citi commits to:

- For clients with power generation operations in OECD countries, no longer extend capital and/or provide other financial services unless the share of power generation from coal-fired power plants is less than 5%.
- For clients with power generation operations in non-OECD countries, no longer extend capital and/or

provide other financial services unless such clients have a low-carbon transition strategy that is designed to reduce the share of power generation from coal-fired power plants to less than 5% by 2040.

## Commercial Firearms

Citi is committed to promote the adoption of best practices with our applicable business relationships regarding the manufacture, distribution and retail sale of firearms. This commitment is designed to respect the rights of responsible gun owners and the responsible businesses that serve them, while promoting community and individual safety. In pursuit of this goal, Citi requires U.S. Firearms Retailers and Firearms Manufacturers who sell through U.S. retail channels to conform to best practices regarding the sale of firearms. For retailers, these best practices include only selling firearms to individuals who have passed a completed background check with a “Proceed” response; placing additional requirements on the sale of firearms to individuals under 21 years of age (such as firearms training as active or former military or law enforcement, or successful completion of a gun safety or hunter safety training by a certified instructor); and not selling bump stocks or high-capacity magazines (e.g., for long guns, magazines that hold more than 10 rounds, and for hand guns, magazines that either extend beyond the bottom of the pistol grip or attach outside of the pistol grip, and hold more than 10 rounds). For manufacturers, this entails ensuring that they sell firearms and ammunition only through retail channels that follow the retailer best practices identified by the policy.

## Forestry

Stopping illegal logging and deforestation of high conservation value (HCV) or high carbon stock forests is a critical challenge in the global fight to preserve global biodiversity and combat climate change. Citi requires robust environmental and social risk assessments for all forestry clients that are directly involved in logging or primary processing of timber from either natural forests or plantations.

We review all forestry clients' policies, practices, and track record on forestry management to evaluate alignment with industry best practice, including labor, community engagement, systems to avoid deforestation or land conservation of HCV areas or high carbon stock landscapes, and proper prevention of fire risk. All forestry clients operating in tropical forests are required to be members of the Forestry Stewardship Council (FSC) and pursue certification, which includes establishing management systems consistent with the principles of No Deforestation, No Peat and No Exploitation (NDPE). FSC certification may be required in other geographies if concerns of HCV impacts are identified. These clients are reviewed annually by Citi to confirm ongoing management practices.

Citi has a long-standing public commitment not to engage in business with companies that we know to be in violation of local or national forestry and logging laws. If a client refuses to pursue FSC certification, or if they fail to make progress towards certification, or credible concerns of illegal logging are identified and not remediated, Citi would initiate steps to exit the relationship.

## Military Equipment

Citi will not directly finance the production, distribution or sale of cluster munitions, biological or chemical weapons, or nuclear weapons. In the rare case where we may be asked to provide direct financing of the

production or shipment of other military equipment such as munitions, missiles, fighter aircraft, armored vehicles or warships, escalation and senior consultation is required to determine if allowed.

## **Nuclear Power**

Citi recognizes the complexities involved in the responsible management of nuclear power. Project-related transactions will be evaluated against host-country environmental laws, regulations, and permits, and in emerging markets, against the international nuclear environmental guidelines that are set forth by the International Atomic Energy Agency (IAEA) and IFC standards. All Category A transactions will require Independent Review (see page 17 for a description of Categories A, B, C and GR).

## **Oil and Gas**

The oil and gas sector presents a number of elevated environmental and social risks that must be carefully assessed both at the project and corporate levels to ensure companies' policies and management approach aligns with industry good practice. Project-related lending follows the Equator Principles framework of assessment, and recommendations identified as a result of due diligence to address any improvements needed are included in an ESAP.

### **Frontier Exploration**

Frontier exploration and production occurs in remote environments with often harsh conditions where there is a greater reliance on technology and increased uncertainty regarding performance. Citi has not previously provided and will not provide project-related financing for oil and gas exploration and production in the Arctic Circle. In project-related lending to other frontier exploration and production activities such as deep water and ultra-deep water exploration offshore, Citi will closely evaluate the project characteristics, EHS policies, emergency response and spill response plans and the experience and operational track record of the company before making a decision whether to proceed.

### **Oil Sands**

Oil sands development in Canada has specific environmental and social risks that need to be identified, mitigated and managed. Citi has an enhanced risk review process for oil sands clients.

### **Shale Oil and Gas**

Citi has an enhanced risk review process for clients with unconventional oil & gas operations in shale formations, including those utilizing hydraulic fracturing ("fracking").

### **Mid-Stream and Downstream Oil and Gas**

When addressing project-related financing with regards to liquefied natural gas (LNG) plants and terminals, oil and gas pipelines and oil refineries, we conduct environmental and social due diligence to evaluate the project risks and address risks present in the transaction. Given the linear nature of pipelines, enhanced due diligence is conducted to determine if any Areas of High Caution are triggered, especially any resettlement, Indigenous Peoples impacts, or sensitive habitat impacts.



## Palm Oil

Citi is a member of the Roundtable on Sustainable Palm Oil (RSPO) and requires all palm oil clients involved in the upstream production of palm oil (e.g., growers and mills) to become members of the RSPO. These clients must commit to a time-bound action plan to achieve 100% RSPO certification within five years of becoming a Citi client. Citi ESRM monitors progress annually on alignment with RSPO Principles and Criteria to ensure palm oil clients' operations are consistent with the principle of No Deforestation, No Peat and No Exploitation (NDPE). We evaluate our clients' identification and preservation of HCV areas (including peatlands and high carbon forests), implementation of best practice fire prevention and management systems, adherence to international labor standards, and the implementation of FPIC for project-affected communities. If a client leaves the RSPO or fails to progress towards RSPO certification, Citi would initiate steps to exit the relationship.

Downstream clients involved in refining and trading are reviewed for zero deforestation policies as well as links to Areas of High Caution in their supply chain and encouraged to obtain RSPO certification if relevant. To further support ongoing development and adoption of the RSPO standard across the palm oil sector, Citi participates in the RSPO Financial Institution Consultative Group.

## Supply Chain

Citi strives to drive sustainable practices in its supply chain. The three key elements of Citi's Supply Chain Development, Inclusion and Sustainability Program are: 1) Citi's Statement of Supplier Principles; 2) Citi's Requirements for Suppliers; and 3) the Corporate Responsibility Questionnaire (CRQ).

Citi's [Statement of Supplier Principles](#) communicate our expectations to our suppliers related to:

- Air Quality and Emissions
- Conservation and Resource Utilization Reductions
- Environmental Policy
- Hazardous Materials Safety
- Labor Standards and Human Rights
- Lifecycle Analysis/Implementation
- Pollution Prevention and Recycling

The [Requirements for Suppliers](#) communicate Citi's policies and specifically reference the Supplier Principles and Citi Code of Conduct. The link to Citi's Requirements for Suppliers has been circulated to all of Citi's approximately 8,700 active Approved Suppliers - those with whom Citi has an ongoing relationship - and continues to be socialized and communicated internally and externally.

The CRQ assists the procurement team in determining how well potential and current suppliers are managing environmental sustainability, labor issues (including modern slavery) and diversity issues within their business.

# Engagement, Transparency and Reporting

## Stakeholder Engagement

Our sustainability priorities, transparency and reporting are aligned with our business objectives and informed by our periodic materiality assessments, and we actively engage stakeholders on our initiatives and overall performance. Our stakeholders include clients, shareholders (including ESG-focused and socially responsible investors), employees, regulators, suppliers, communities, non-governmental organizations (NGOs) and peer institutions in networks such as the Equator Principles Association. Citi is also an active member of several industry and stakeholder groups focused on environmental, social, and sustainability topics and issues, including the NZBA, UNEP FI and Ceres, and frequently engages with academic institutions and multilateral organizations to better understand evolving norms and help drive better practices.

## Employee Engagement

Citi has a Global Sustainability Network, comprised of over 250 internal partners, which functions as an information-sharing network among the different teams and individuals working on various aspects of sustainability. We also have a broader employee engagement program designed to increase employee awareness of Citi's environmental initiatives and performance. This includes a global network of local Green Champions and various employee champion groups across the firm that have been created with the intention of promoting and driving ESG issues in their respective business units.

## Reporting

Citi reports annually on the issues covered in this Environmental and Social Policy Framework in our ESG Report. The ESG Report is prepared in accordance with the GRI Standards: Core option and the Sustainability Accounting Standards Board (SASB) Reporting Framework. We also use the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the Principles for Responsible Banking, and the TCFD framework to guide our reporting.

The ESG Report includes reporting on ESG-related activities across our business such as completed transactions that contribute to our \$1 Trillion Sustainable Finance Goal, which includes \$500 billion in environmental finance and \$500 billion on social finance, case studies, progress on our Action for Racial Equity commitments, and data on transactions covered by our ESRM Policy (including the EP), and progress on operational footprint goals. It also details other ESG-related initiatives at Citi in the areas of inclusive finance, affordable housing, diversity and inclusion and our philanthropic and volunteer initiatives. Our annual reporting of our environmental footprint and our EP-related data receive limited assurance by an external third party.

# Governance

Citi's Board of Directors reviews Citi's sustainability and climate change progress and key issues on a periodic basis. In addition, the Nomination, Governance and Public Affairs Committee of the Board has direct oversight over sustainability issues at Citi. Committee responsibilities include reviewing our policies and programs for sustainability, climate change, human rights and other potentially material ESG issues, as well as advising on ESG engagement with investors and major external stakeholders. The Risk Management Committee of the Board, which provides oversight of Citi's risk management function, also reviews Citi's risk policies and frameworks, including those related to environmental, social and climate risk. For more information on the roles and responsibilities of Citi's Nomination, Governance and Public Affairs Committee and Risk Management Committee, you can view the Committee Charters [here](#).

In July 2021, we formed a new Global ESG Council in order to provide a senior management level forum for oversight on our ESG commitments and ambition. The ESG Council, which meets on a near-monthly basis, is chaired by the CEO and includes members of the Executive Management Team as well as subject matter experts. Existing steering groups, including the Climate Risk Steering Group, Net Zero Task Force and Global Sustainability Steering Committee, continue to operate, and the leads of those steering groups are members of and provide reports to the Global ESG Council.

Citi's Chief Sustainability Officer (CSO) reports to the Global Head of Public Affairs, who is a member of Citi's Executive Management Team. The full Board receives reports from the CSO regarding sustainability activities and performance, including those related to climate change and Citi's net zero plan, and the RMC receives reports from the Head of Climate Risk regarding emerging bank regulator trends on climate risk and Citi's approach. The CSO also provides progress reports to the Nomination, Governance and Public Affairs Committee on issues, trends and results pertaining to the company's key sustainability and climate change issues.

The senior-executive level Climate Risk Steering Group consists of senior Citi leaders from across the firm who provide guidance, feedback and support with regards to the integration of climate risk management. The Steering Group facilitates engagement with senior global leadership, ensuring senior management commitment, and provides assistance to help coordinate resources across the firm.

The Climate Risk Working Group is a global, cross-functional group. This group meets on a monthly basis and has the central objective of building climate risk management capabilities and integrating climate risk into existing governance, risk processes and controls.

In 2021, we established our Net Zero Task Force to support the development and launch of our net zero plan. The Task Force is led by our CSO and includes leaders from diverse business units. We established this broad task force to collectively build knowledge on net zero, inform decisions on our methodology and ensure that information is flowing across Citi's businesses.

Citi has a Global Sustainability Steering Committee, which provides input and guidance on policies and initiatives and helps drive sustainability through the businesses. The committee is chaired by the CSO and a senior executive in Banking and includes other executives from Banking, Risk, Public Affairs, Operations, and ESRM. Committee meetings are held approximately four times per year.

Citi's Sustainability & ESG team, led by the CSO, is responsible for developing Citi's sustainability strategy and key initiatives, in collaboration with partners across the company, and for coordinating and monitoring its implementation. The Sustainability & ESG team works across Citi's businesses and regions to provide expertise for sustainable finance product and client advisory, facilitate cross-business learning and coordination, engage with stakeholders, and report on our progress.

Citi's Global Head of ESRM leads the ESRM function, which is part of Independent Risk Management. This team is responsible for implementing the ESRM Policy, including the Equator Principles and sector standards, in partnership with Banking and Risk teams. This work is supported by Regional ESRM Champions who are credit risk officers or sustainability specialists in the regions. With the increased focus on the impact of climate change risks to financial institutions, Citi has also established a dedicated Climate Risk function within Risk Management to partner with first- and second-line teams and build climate risk management capabilities. These capabilities include portfolio risk identification, scenario analysis, and integrating climate risk into existing governance, processes, and controls. The senior risk officer responsible for climate risk is the Global Head of Climate Risk, who reports directly to Citi's Chief Risk Officer.

Many Citi businesses also have dedicated teams and team members focused on specific aspects of ESG and sustainable finance, including green bonds, sustainability bonds, sustainability-linked loans, renewable energy finance, and sustainable business advisory and investment services. These diverse teams lead on transactions that contribute to our sustainable finance goals, help us to engage clients across sectors to provide transition support, and allow for sustainability and climate-related considerations to be better integrated into our business decision-making.

Within Citi's Enterprise Infrastructure Operations & Technology unit, a dedicated sustainability team in the Citi Realty Services unit is responsible for development and execution of Citi's environmental footprint goals. Efforts to achieve net zero emissions for our operations are led by Citi Realty Service and the Enterprise Operations & Technology teams, in coordination with the Net Zero task Force. Similarly, the Supply Chain Development, Inclusion and Sustainability (SCDIS) team is responsible for implementing the SCDIS program that guides Citi employees to make sourcing decisions that support inclusive processes, increasing our roster of diverse suppliers and working across our supply chain to enhance sustainability practices.

# Appendix

## Illustrative steps in risk screening process for project-related finance transactions

Client Actions	Project Review Stage	Citi Transactor Actions	Citi Independent Risk Review & Approval
<ul style="list-style-type: none"> <li>Client seeks competitive financing terms from banks</li> <li>Preparing or finalizing environmental and social assessment documentation</li> </ul>	<b>Business Opportunity Identified</b>	Business opportunity identified for internal review and discussion	When appropriate, early-stage “heads-up” memo sent to risk units including Environmental and Social Risk Management (“ESRM”) to notify of early-stage client discussions prior to formal approval
Receives and reviews marketing letter from Citi	<b>Greenlight Memo &amp; Marketing Stage</b>	<ul style="list-style-type: none"> <li>Approvals required from appropriate Senior Heads</li> <li>Following Greenlight approval, submits Citi proposal/marketing letter to client</li> </ul>	<ul style="list-style-type: none"> <li>Approval required from appropriate Citi Independent Risk heads as well as ESRM unit</li> <li>Project screened for potential environmental and social risks, including human rights risks</li> <li>ESRM Category assigned along with ESRM Policy or Equator Principles requirements</li> </ul>
<ul style="list-style-type: none"> <li>Reviews and seeks clarification on Citi proposals, including ESRM requirements</li> <li>Accepts, modifies or rejects Citi proposal</li> <li>If proposal accepted, Citi is mandated by the client to provide financing</li> </ul>	<b>Discussion of Citi Proposal with Client</b>	<ul style="list-style-type: none"> <li>Includes discussion of ESRM requirements, if requested by client</li> <li>For higher risk transactions, Transactor and ESRM arrange appointment of Independent Environmental and Social Consultant to review documentation and review compliance with Citi’ ESRM Policy, including the Equator Principles, IFC Performance Standards and IFC EHS Guidelines, as relevant to individual transactions</li> </ul>	
Client provides to Citi Equator Principles documentation, prepared by or on behalf of client (e.g., Environmental and Social Impact Assessment Management Plan, Action Plan, consultation information)	<b>Detailed Due Diligence Process, Including Term Sheet Negotiations</b>	<ul style="list-style-type: none"> <li>Transactor, ESRM and Independent Consultant (when required) review environmental and social documentation, including documentation on any human rights risks if relevant to transaction</li> <li>When gaps exist between current plans and Citi ESRM standards, ESRM/Independent Consultant prepare an Environmental and Social Action Plan (“ESAP”) with recommended actions to properly mitigate and/or manage any environmental, social and human rights risks</li> </ul>	

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Client Actions	Project Review Stage	Citi Transactor Actions	Citi Independent Risk Review & Approval
<ul style="list-style-type: none"> <li>• Final facility terms agreed</li> <li>• Signs loan documentation</li> <li>• Receives first disbursement</li> </ul>	<b>Closing &amp; Disbursement</b>	<ul style="list-style-type: none"> <li>• Citi confirms conditions precedent met, including ESRM and Equator Principles conditions, if applicable</li> <li>• Citi signs loan documentation and disburses loan</li> </ul>	Timeframe and condition set for monitoring and reporting on agreed upon ESAP
Based on previously agreed terms, client plans for and submits ESRM and other monitoring and reporting to Citi and/or syndicate regarding compliance with environmental and social conditions	<b>Ongoing Monitoring &amp; Supervision</b>	Ongoing monitoring takes place during annual credit reviews or at more frequent agreed upon intervals if needed	<ul style="list-style-type: none"> <li>• Receives and reviews ongoing monitoring and compliance reports from client and/or Independent Expert on environmental, social and human rights matters</li> <li>• Works with the client and/or Independent Expert to identify and correct areas of noncompliance, if any</li> <li>• If significant areas of noncompliance are evident, senior approvers are notified and a corrective action plan devised to bring client back into compliance</li> </ul>

**Note:** This chart provides an illustrative summary of steps taken in a typical Citi project-related finance transaction. All transactions are not identical, and the review, approval and monitoring steps described above may be tailored, reduced or supplemented are based on the facts and circumstances of a particular transaction.



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